

## Message Text

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R 021546Z NOV 76  
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TO USDOC WASHDC  
INFO SECSTATE WASHDC 1727

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SUBJECT: WTDR-REPRESENTACIONES J. Y L. LACAYO S.A.

REF: USDOC 20517

1. EMBASSY REITERATES ITS RECOMMENDATION AND OPINION OF SUBJECT FIRM'S REPUTATION, AS STATED IN MANAGUA 2589 ON JUNE 3, 1976, AND PROVIDES FOLLOWING BACKGROUND INFORMATION: REPRESENTACIONES J.Y L. LACAYO S.A. IS AN OFFSHOOT OF JULIO Y LORENZO LACAYO CIA. LTD. (JUCLAY), A FIRM WITH AN EXTENSIVE RECORD OF DUBIOUS COMMERCIAL AND FINANCIAL TRANSACTIONS. PRIOR TO JUCLAY'S BANKRUPTCY IN 1971, EMBASSY INCLUDED IN ITS WTDRS INCREASINGLY STRONG WARNINGS AGAINST DOING CREDIT BUSINESS WITH THIS FIRM DUE TO ITS DETERIORATING FINANCIAL SITUATION AND LONG-ESTABLISHED HABIT OF PAYING LATE, IF AT ALL. IN 1971, ITS LARGEST SINGLE CREDITOR, W.R. GRACE & CO., SUED JUCLAY FOR INDEBTEDNESS AND FORCED IT INTO BANKRUPTCY. ESTIMATES OF FIRM'S TOTAL DEBT AT THAT TIME RANGED FROM US\$2.5 MILLION UPWARD, OF WHICH \$2 MILLION WAS OWED TO GRACE. SEVERAL OF JUCLAY'S SUBSIDIARIES PASSED INTO COMPULSORY RECEIVERSHIP. THE CREDITORS OF JUCLAY AND ITS SUBSIDIARIES INCLUDED ASSOCIATED MANUFACTURERS INT. CORP. (AMICO), P.O. BOX 373, NORTH MIAMI BEACH, FLORIDA (DEBT US\$72,210); CLAY EQUIPMENT COMPANY, CEDAR FALLS, IOWA (DEBT US\$12,066); HARRELSON RUBBER CO., ASHBORO, NORTH CAROLINA (DEBT US\$2,291); HAMOS INDUSTRIES INC., 242 WEST 30TH STREET, NEW YORK, NEW YORK (DEBT US\$2,066); OTIS MCALLISTER EXPORT CORP., 611 GRAVIER STREET, NEW ORLEANS, LOUISIANA (DEBT US\$753); AND DAVID BROWN TRACOTR COMPANY OF ENGLAND.

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2. THE PRINCIPAL SHAREHOLDER IN REPRESENTACIONES J.Y. L. LACAYO IS

LISTED AS MRS. THELMA CADERON DE LACAYO, WIFE OF ONE OF JUCLAY'S TWO FORMER PARTNERS, LORENZO LACAYO, WHO HAS POOR FINANCIAL AND COMMERCIAL REPUTATION. ALTHOUGH MRS. LACAYO AND THE FAMILY MEMBERS EUGENIO LACAYO B. AND FRANCISCO CALDERON ARE USUALLY LISTED AS MANAGERS AND DIRECTORS OF THE SUBJECT FIRM, LOCAL BANK AND TRADE SOURCES, AS WELL AS EMBASSY, STRONGLY BELIEVE THAT LORENZO LACAYO HAS AN EXECUTIVE POSITION WITHIN THE FIRM AND IS ACTIVE IN ITS MANAGEMENT. EMBASSY RECOGNIZES THAT SUBJECT FIRM IS VERY ACTIVE AND THAT IT HAS MANAGED TO OBTAIN SOME GOOD LINES OF REPRESENTATION. HOWEVER, IT STRONGLY CONSIDERS THAT LORENZO LACAYO'S ASSOCIATION WITH FIRM FAR OUTWEIGHS ANY POSITIVE CONSIDERATION ABOUT THE FIRM. IN JUNE 1976 WTDR, EMBASSY RECOMMENDED THAT DEALINGS WITH REPRESENTACIONES J.Y. L. LACAYO AND ANY OF ITS SUBSIDIARIES BE CARRIED EXCLUSIVELY ON AN AGENCY OR REPRESENTATION BASIS NAD NEVER INVOLVE CREDIT, IMPORTS ON FIRM'S OWN ACCOUNT, OR A DISTRIBUTION ARRANGEMENT. IT ALSO LISTED FIRM'S REPUTATION AS UNFAVORABLE. EMBASSY REITERATES ITS WTDR RECOMMENDATION AND OPINION ABOUT FIRM'S REPUTATION.

3. REPRESENTACIONES J.Y L. LACAYO IS KNOWN TO HAVE A NUMBER OF SUBSIDIARIES OR SISTER COMPANIES: EQUIPOS Y SUMINISTROS S.A., EQUIPOS Y SUMINISTROS DE RESTAURANTES S.A. AND RESTAURANTES S.A., ALL SUPPLIERS OF INDUSTRIAL SUPPLIES AND EQUIPMENT. EMBASSY IS AWARE OF A JANUARY 1976 TRADE COMPLAINT FROM ARKFELD MANUFACTURING AND DISTRIBUTING CO. INC., P.O. BOX 54, MONROE AVE AND HIGHWAY 81, NORFOLK, NEBRASKA, CONCERNING AN UNPAID DRAFT FOR US\$1,189.35 FOR A LIVESTOCK SCALE ORDERED BY REPRESENTACIONES J. Y L. LACAYO FOR EQUIPOS Y SUMINISTROS S.A., ONE OF ITS SUBSIDIARIES. EMBASSY IS ALSO AWARE OF A PUBLIC AUCTION BY A LOCAL BONDED WAREHOUSE OF A NUMBER OF "FOSTER-HARD" HOSPITAL BEDS AND "MCGRAW-EDISON" AIR CONDITIONERS DEPOSITED BY THE FIRM EQUIPOS Y SUMINISTROS DE RESTAURANTES S.A. THE AUCTION WAS CARRIED OUT IN OCTOBER 1976 TO COVER BONDING AND WAREHOUSING CHARGES FOR SUCH GOODS.

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